

City of Detroit

CITY COUNCIL

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TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director *ICJ*
Derrick Headd, Fiscal Staff Analyst *DH*

DATE: April 1, 2009

RE: Bank on Detroit

During the March 17, 2009 City Council Formal Session, Council President Pro-Tem Watson asked the Fiscal Analysis Division to follow-up on the information Ms. Watson received from the National League of Cities on Bank on San Francisco, in order to initiate a Bank on Detroit initiative. The bank on San Francisco program was an initiative set up to get the cities unbanked population connected with banking institutions. The Bank on San Francisco initiative was set up to protect the unbanked from the fees of check cashing institutions and party stores.

Bank on San Francisco

In January 2006, San Francisco Mayor Gavin Newsom and City Treasurer José Cisneros launched the Bank on San Francisco program. The Bank on San Francisco program was initiated with a goal to open 10,000 low-cost starter accounts for San Francisco's unbanked population in two years. Bank on San Francisco met that goal in the first year and is now working on opening 20,000 accounts.

According to a study by the Pew Charitable Trusts, "Converting Basic Financial Services Fees Into Prosperity", in referencing the Bank On San Francisco program it states, "The city (San Francisco) is able to connect households to bank accounts by relying on media (e.g., public service announcements) and community partners, who essentially act as marketers and sales representatives on behalf of the participating financial institutions. In return for the city's subsidizing the cost of customer acquisition, participating banks agree to several product concessions that lower the costs of basic accounts for Bank On customers. More importantly, they agree to market the lowest-cost starter products to these customers rather than steer them into more expensive alternatives. Although many unbanked customers are worth relatively less in depository and cross-selling power than currently banked customers, financial institutions generate good publicity from their participation in these programs and win new customers, who bring new deposits and cross-selling opportunities. The outcome has been millions of dollars in savings on financial services for low-income consumers and the opportunity for these households to grow and build their wages into savings and wealth."

So far, over 40 other cities across the US and the State of California have modeled the Bank On San Francisco program. While researching the "Bank On" concept, we learned from the Community Economic Development Association of Michigan (CEDAM), that there are two "Bank On" programs being formed in Michigan, "Bank On Detroit" and "Bank On Lansing". Upon this discovery, at the direction of Council President Pro Tem Watson, we invited the "point person" of the "Bank On Detroit" initiative, Ms. **Anita Salustro of the AARP Foundation**, in order for her to make a presentation to the Neighborhood and Community Services Committee. She is currently working with a collaborative of banks in Southeastern Michigan to make Bank on Detroit a reality.

A study by the Brookings Institution estimated that working households in the US that are unbanked, pay an average of approximately \$1,000 annually in just check cashing fees. So ideally, we will learn what the next steps are for the City in order to maximize the success of the Bank On Detroit program.

Please contact us if we can be of any further assistance.

Attachment

cc: Council Divisions
Auditor General's Office
Joe Harris, Chief Financial Officer, Finance Department
Pam Scales, Budget Department
Arese Robinson, Mayor's Office

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City of Detroit
CITY COUNCIL

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March 20, 2009

Mr. Irvin Corley, Director
City Council Fiscal Analysis Division

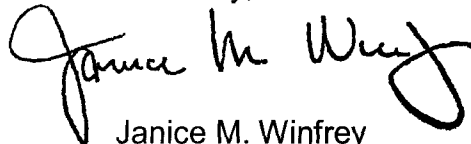
RE: NATIONAL LEAGUE OF CITIES' – BANK ON DETROIT PROGRAM

Dear Mr. Corley:

During the Detroit City Council Formal Session on March 17, 2009, discussion was held relative to the above-captioned matter. As a result, Council President Pro Tem JoAnn Watson is requesting that you respond to the questions and concerns highlighted in the attached Clerk's notes.

Please forward a report to the City Clerk's Office at your earliest convenience.

Sincerely,



Janice M. Winfrey
City Clerk

JMW/kb

Attachment

THURSDAY, MARCH 17, 2009 – **FORMAL SESSION**

EXCERPTS

RE: NATIONAL LEAGUE OF CITIES' – BANK ON DETROIT PROGRAM

WATSON: I was privileged this weekend to attend the meeting of the National League of Cities in D.C. on Sunday. I got some information that was helpful on a very wonderful program, Bank on Detroit, which could happen here. It's happening in New York City, Denver, Los Angeles and Chicago. The best program is in San Francisco and Seattle, where financial institutions (banks and credit unions) provide the capitalization support. Bank on Detroit could help those persons, typically one third of the population is unbanked and are being exploited by tax cashing agencies and payday lending places. This will help route them to banking free and remove the barriers and the chilling effects and will also access them to earned income credit money that many are not aware of.

I'M ASKING THAT OUR FISCAL DIVISION FOLLOW-UP ON INFORMATION THAT HAS BEEN PROVIDED AND IS AVAILABLE TO US THROUGH THE NATIONAL LEAGUE OF CITIES. IT'S A ONE-PAGE APPLICATION THAT CAN BE DONE IN FIVE MINUTES THAT CAN PUT DETROIT IN A POSITION TO RECEIVE SOME MONEY, AND OUR PEOPLE WILL RECEIVE MILLIONS IN THE CITY.

Kim Brown